



In House Grounds
Maintenance
Service Delivery
for Hastings
Borough Council

**Part D – The Current State of the
Grounds Maintenance Market**



State of the Market (Part D)

D1 Introduction

WCL has been carrying out Grounds Maintenance Market analysis reviews for its Local Government clients since 2012/13. The benefit of this is it allows us to track changes over time and help predict future trends; this can help Councils to make informed decisions on future options they may wish to pursue.

D2 Local Government Trends in Parks & Grounds Maintenance Management

There has been a decline in the budgets for the maintenance of Parks across the whole country over the past decade or more. The Heritage Lottery Fund has estimated that £60m has been cut from Parks budgets since 2010. This has been a continuation of the trend that began in the early 1990s, leading to authorities assessing the way that maintenance is undertaken, the frequency of operations and whether they should be undertaking the maintenance of some areas at all. This, in turn, has led to greater devolution to Town and Parish Councils.

There has been a trend towards a more 'Street Scene' approach to maintenance; allowing shared overheads and resources, this has been more evident in services delivered in-house as there are few contractors in the market who offer both services effectively without having to work in partnership or sub-contract work; thereby reducing the scale of any savings.

D3 Potential Contractors Likely to Bid for Work

The market is currently seeing very few local authority contracts over £1m p.a. due to a variety of reasons, such as:

- Local Authorities are returning to in-house provision of services at the end of contracts
- Contracts are being extended to beyond previous extension dates where the service is good and contract costs and available budgets are aligned
- Services are remaining in-house and not externalised
- The number of housing associations which have been established has diluted the value of contracts as they are generally let separately
- Works and operations have been significantly reduced and/or removed from contracts as local authorities seek to reduce the core parks budget.

The majority of high value contracts in the market are being seen in London Boroughs retendering existing contracts or offered by the large social housing providers.

D4 The Grounds Maintenance Market Service Providers

Based on our data and analysis from September 2013 to August 2022, the Grounds Maintenance Market has seen a significant shift in terms of the number of opportunities available to the Private Sector, the number of companies equipped to deliver them and way services are being provided. This, together, has resulted in our view in the emergence of a very *different* market sector.

Our first observation is that the number of companies available to deliver services has decreased by at least one third over that period, based on a list of companies with an annual turnover of over £3m (which we estimate is a level required to deliver the Hastings Borough Council contract). In 2013 we prepared a list of 12 companies of sufficient size and local presence to be in a position to bid for work of this size, in 2017 this list had reduced to ten key players in the market, and we now estimate that just six remain.

The reduction in the number of key players in the market has been effected by:

- the number of acquisitions by the two largest companies of some of the mid-size contractors
- one of the mid-sized companies buying out its rival in a strategic drive for business growth
- the withdraw from the market by multi-functional FM type companies and multidisciplined public realm providers working across Waste, Streets and Grounds Maintenance
- the decision by some Councils to bring work back “in-house” shrinking the market, forcing less profitable operators out of business. Where the North of England was always seen as an area where the majority of work was undertaken by in-house services, we are now also seeing pockets of regional areas in the South, South East and London where the majority of the provision is now in-house, reducing the size of the market for contractors.

We have also seen a trend in the public education sector where individual schools have withdrawn from larger countywide procurement contracts and appointed either as part of a wider, facility-type contract, one of the larger companies or smaller companies of less than £500,000 turnover. Although this has increased the number of companies at the lower end of the market, it would be fair to say that they, in the main, lack the capacity to deliver services to an authority the size of HBC.

Another effect on the market over the past fifteen years or so has been the decision by the MOD to offer work increasingly in large packages normally with a key partner who then procure a supply chain. This has reduced the opportunity at local and geographical level for mid-sized companies to gain work and get a foothold in areas where they can deliver a sustainable presence on the back of one or two contracts. There have been more tender opportunities advertised in the Parish and Town Council Sector which has given the opportunity for smaller and micro businesses. The general

size of work offered by the housing sector tends to be of sufficient size for the larger companies to bid very competitively.

There are still a number of national companies that offer grounds maintenance and are of sufficient size and capacity to potentially be considered for Local Authority work. However, the business model of these contractors is to deliver work on static sites and undertake niche work such as Landscaping and Winter Gritting. Due to the capital costs and low profit margin on Local Government Contracts they do not, as a rule, tend to bid for many public works.

A further trend and consideration by contractors when planning a growth and bid strategy, is based on geographic location of potential contacts, and a view “where is my next contract in this area coming from”. Expanding the footprint and spreading overhead costs is now a key consideration. Where authorities are ‘islands’ amongst a ‘sea’ of in-house operations, attracting an external provider can be a challenge.

D5 Key Players in the Local Government Ground Maintenance Market

As of August 2022, we see the following companies including the incumbent *idverde* as the most likely to apply, if HBC work was offered to the market in 2022/23.

idverde UK

idverde UK is the largest Grounds Maintenance Contractor in the country. Originally the French division of ISS Landscaping they bought English Landscapes in 2015 to gain a foothold in the UK Market. Further acquisitions of the respected Quadron Group in 2016, two acquisitions in Scotland and Northern Ireland and finally that of the TCL group which included Burleys in 2019 has seen them reduce not only market competition but also an increase in turnover and contracts held. We estimate *idverde* turnover in the UK is in the region of £250 million per annum which does not include work undertaken in Europe.

If *idverde* UK wish to continue to grow and retain the level of turnover and, in our view, it is likely that in future they may look to make acquisitions of local companies holding Council contracts, or some of the other companies that deliver public sector grounds maintenance in direct competition.

From our analysis of their current contracts, many are coming to an end in the South and South East. In our opinion, unlike previous practice/strategy, to potentially offset this loss of business, they may take a more conservative approach to winning or buying businesses over the next couple of years and adopt a policy of holding on to contracts they have.

Tivoli

Tivoli was the former Grounds and Landscaping Arm of ISS group, one of the largest FM companies in the world, previously operating in the mid-market range as Waterers, following the acquisition of companies such as JV Strong and Mitchel and Struthers the ISS brand increased considerably in the first fifteen years of the decade. A large growth was made in 2014 with the winning of the MOD National Contracts for Site and Housing based Grounds Maintenance work worth over £16 million.

ISS sold Tivoli to a Capital company in 2018 and the growth and performance of the company has been variable, holding onto some contracts and seeking growth by the purchase of Sodexo Horticultural services in January 2021.

Tivoli lost 80% of its core MOD work in October 2021 only had a one year extension to the remaining 20% (MOD housing work).

However, Tivoli still remains the second largest Grounds Maintenance Contractor in the UK by turnover and contracts held.

Glendale

Glendale was established in 1990 for the purposes of winning Local Government work that became available with the Local Government Act 1988 that extended Compulsory Competitive Tendering (CCT) to 'blue-collar' services, such as refuse collection and ground maintenance.

It is still active in the market, although we have seen a significant drop of around 55% in its turnover from a reduction in the number of contracts delivered in its Grounds Maintenance division over the past fifteen years.

Glendale is actively bidding for work in the Public Sector, although the main aim of the management team appears to be focussed on retaining work they already have while concentrating more on its Leisure and Golf Business. Glendale was formerly one of the two large GM providers in the 1990s.

Continental Landscapes

Continental Landscape, like Glendale, was formed in 1988 to meet the needs of the new market created by CCT legislation. Again, like Glendale, Continental was one of the leading UK grounds maintenance companies in the 1990s and early 2000s but have gradually lost market share with the arrival of larger and more highly capitalised, aggressive competition, along with the shrinkage of the market overall and less opportunities being advertised. They are, however, still active in the market and hold work in Kent as well as some London Boroughs. We understand that following a restructure of the management team in late 2020 they are seeking to actively grow the business again.

John O'Connor

John O'Connor, based in Hertfordshire, has been in the UK Market since the 1980s, gradually built up by its sole owner mainly via education and defence contracts; it has seen some market share and has been able to expand its operations to the South and South East of England. Although still a small player in the market, it has the capacity and resource to bid for contracts over £1.5 million per annum. The company is still family owned. Last Turnover for the Company was £21.2 million per annum.

Gavin Jones

Gavin Jones a long-established Grounds Maintenance Contractor, who concentrated generally on the higher end private sector amenity works, were bought by Nuture Landscapes in 2017

While Nuture has continued its niche and private sector work our analysis of the group's operations is that it is increasingly using the Gavin Jones name and operational arrangement to deliver a greater range of MOD and Social Housing Contracts. This may mean that in the future they may be looking as a growth strategy to deliver what they view as prestigious public sector contracts, especially those in the vicinity of the existing national footprint. We would not now, however, classify Gavin Jones fully in the public sector market. Nuture have made a number of acquisitions in the last year, expanding its portfolio and operations.

Other Contractors - National

We have identified above the key national Contractors who are involved in the Grounds Maintenance Market for Local Authorities. There are a number of companies delivering Grounds Maintenance across the UK with a national or South Eastern presence, some of whom have a substantial turnover and portfolio of contracts.

These companies, such as Ground Control, UK Landscapes, Flora-Tech, GRITIT, Nuture and Mitie Landscapes tend to deliver private sector work or niche public services such as Utility and Rail Arboriculture. We have seen some of these companies gain a number of tranches of large Social Housing contracts, though it remains our opinion that it is unlikely that they would be bidding for Local Authority Grounds Maintenance Contracts in the near future.

Other Contractors – Local/Regional Including Kent and West Sussex

Our research, as part of this exercise, indicates that there are two major contractors operating commercially in the area who would be able to bid for the new contract, these being:

- idverde UK (the incumbent in HBC)
- Glendale (delivering East Sussex Schools).

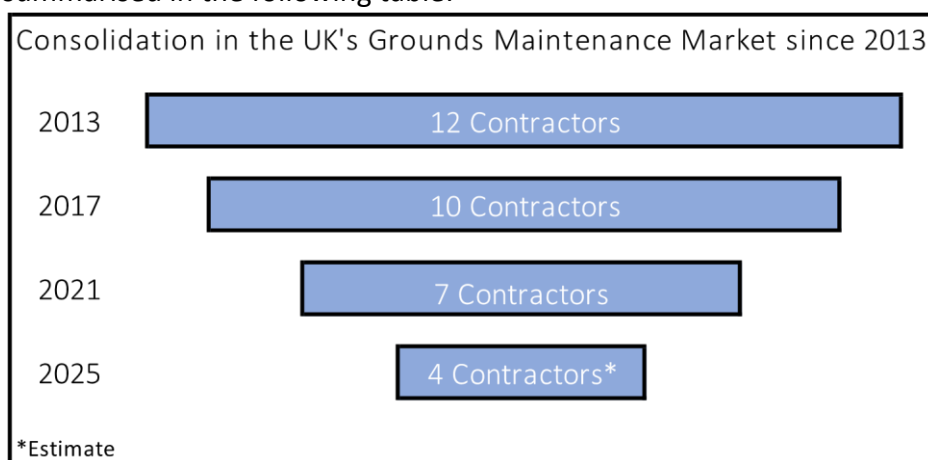
Small/Medium Grounds Maintenance Companies

Within the geographical county of East Sussex and the bordering county of Kent there are some smaller/medium-sized Grounds Maintenance companies. Our review indicates there are 7-8 established contractors with annual turnover between £400,000 - £700,000. They appear to operate as 'Landscape Maintenance' companies that do Grounds Maintenance as part of a wider offering, mainly to Office Sites and other smaller locations.

The value of the HBC contract, estimated in the future between £1.2m and £1.5m p.a., would be too large an undertaking for companies of this size. The diversity and complex nature of large Local Authority grounds maintenance contracts, the capital investment required and the skills needed would preclude such companies from tendering. In our experience, if they did bid, there would be a financial risk to the companies in question which they would seek to offset in the cost, or the risk to the Council in awarding a contract of this size would be too great.

Conclusion

The market has contracted significantly over the last 9 years. Our research is summarised in the following table:



WCL consider that the HBC contract may attract interest from the Private Sector in its previous form, and there may be some Contractors who may wish to tender for works. However, our recent experience in the procurement of a similar sized GM contracts in the South East region, indicates that this cannot be guaranteed.

The trend of reducing numbers of companies in the market is likely to continue and we would be surprised if there were more than 4 'main' operators left by 2025. This inevitably means less competition and tendered values increasing. The consequences of this are that there will be a large gap in turnover and capability between the biggest multi-nationals and the more regional, mid-sized companies which in the past has provided competition and options for procuring authorities.

Geographical

Delivery of Grounds Maintenance Services in East Sussex

Authority	In-house (DSO)	In-house (LATC)	Contracted -out	Contractor Name
Eastbourne*			✓	ID Verde
Hastings	✓			ID Verde
Lewes*			✓	ID Verde
Rother			✓	ID Verde
Wealden			✓	Tivoli
East Sussex CC			✓	Glendale

* We understand that in September 2022 Eastbourne and Lewes Councils may change the delivery model to in-house at the end of the current contract.

Delivery of Grounds Maintenance Services in the county of Kent, by Authority

Authority	In-house (DSO)	In-house (LATC)	Contracted -out	Contractor Name
Dover	✓			
Folkestone & Hythe	✓			
Medway			✓	Norse
Ashford	✓			
Canterbury	✓			
Thanet	✓			
Dartford			✓	Continental Landscapes
Gravesham	✓			
Tonbridge & Malling			✓	Kent Landscape Services
Maidstone	✓			
Swale			✓	Blenwood
Sevenoaks	✓			
Kent County Council		✓		Kent Landscape Services

13 Other Authorities including Kent County Council

8 (c.62%) are delivered in-house

5 (c.38%) are delivered by external providers

75% of those delivered in-house were bought back under Council control since 2010.